



TRANSCRIPT

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**Tele-news conference update on BSE-related trade issues with
Agriculture Secretary Ann M. Veneman**

**Dr. John Clifford, Deputy Administrator for Veterinary Services, Animal and Plant Health
Inspection Service, Dr. Keith Collins, USDA Chief Economist, Dr. Peter Fernandez, APHIS
Associate Administrator, Dr. Daniel Engeljohn, FSIS Deputy Assistant Administrator, Office of
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Veterinary Medicine, FDA**

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MS. HARRISON: "I thank everyone for joining us today to give an update on some BSE-related trade issues. We'll begin today with an opening statement by Secretary Veneman, followed by an opening statement by Dr. John Clifford who is our chief veterinarian here at the Department of Agriculture. After that then Dr. Clifford as well as other government officials will be available to answer your questions. So with that, I will turn it over to Secretary Veneman.

SEC. ANN VENEMAN: "Good afternoon, and thank you all for being with us today. I am pleased that we are joined today by Dr. John Clifford who as Ms. Harrison said is our deputy administrator for Veterinary Services at USDA's Animal Plant Health Inspection Service. And in that capacity he serves as the Department's chief veterinarian.

"I will make a few opening comments today, and then I will turn this over to Dr. Clifford to do the technical briefing. And he will also introduce the others who are here to answer questions with him.

"As you may recall, on November 4, 2003, more than five months after the discovery of a case of BSE in Canada, USDA proposed regulations regarding the establishment of minimal risk regions for BSE and conditions allowing the importation of live animals and meat products from those regions. The comment period was still open when a single case of BSE was discovered on December 23, 2003, in Washington State in a Canadian-born cow.

"That discovery immediately prompted USDA to make significant enhancements to our protection system and further steps were taken after recommendations issued by an international panel of scientific experts.

"Because of that single domestic case of BSE, the comment period regarding minimal risk regions was reopened and extended until April 7, 2004, to give the public sufficient time to review the proposals in light of the Washington state cow.

"Today after a careful and thorough risk assessment based on science and a comprehensive rulemaking process, we are announcing the final rule regarding minimal risk regions for BSE, along with the classification of Canada as the first minimal risk region under the rule.

"We are committed to ensuring that our regulatory approach keeps pace with the body of scientific knowledge about BSE. After conducting an extensive review, we are confident that imports of certain commodities from regions of minimal risk can occur with virtually no risk to human or animal health.

"Our approach is in line with the guidelines issued by the World Health Organization for Animal

Health or what's commonly referred to as the OIE, and it relies on appropriate, science-based risk-mitigation measures. These guidelines allow for safe trade while protecting human and animal health.

"In addition to establishing criteria for minimal risk regions, the rule determines that Canada meets the requirements for classifications as such a region including import restrictions sufficient to minimize exposure to BSE, removal of specified risk material, surveillance for BSE at levels that meet or exceed international guidelines, a ruminant-to-ruminant feed ban, and appropriate epidemiological investigations, risk assessment and risk mitigation measures following any BSE detection.

"The rule also imposes additional import requirements on the importation of live Canadian cattle under 30 months of age for feeding or slaughter, as well as sheep and goats under 12 months. And of course animals imported into the United States will continue to be subject to our own rigorous domestic regulations.

"The rule will be published in the January 4th Federal Register. It is now available at the Federal Register, and it's also available on the APHIS website.

"It will become effective on March 7, 2005.

"Again, I want to emphasize the comprehensive and exhaustive nature of this process. This was by no means a simple rule. In fact, it was a very complicated rulemaking. The overall documentation that is being submitted to the Federal Register totals more than 500 pages. We took the time to get it right in order to uphold our commitment to protect human and animal health while allowing the resumption of safe and mutually beneficial trade.

"At this point, I will now turn the briefing over to Dr. John Clifford, USDA's chief veterinarian, for the technical part of the briefing."

DR. JOHN CLIFFORD: "Thank you, Madam Secretary. And thank you to everyone who has joined us on the call today.

"As the Secretary stated, USDA is publishing a final rule in the Federal Register on January 4th that establishes a minimal risk category. This category will be used for countries that have significant prevention and detection measures in place for BSE, and therefore pose virtually no risk to human or animal health.

"Establishing criteria for minimal risk regions, the United States has taken a leadership role in fostering trade of low-risk products with countries that have a low incidence of BSE and historically strong risk mitigation measures.

"As mentioned earlier, such a move is consistent with the World Organization for Animal Health or OIE and their recommendations. In the final rule which becomes effective March 7, a minimal risk region is defined as either a region where BSE- infected animals have been diagnosed but sufficient regulatory measures make the introduction of BSE into the United States unlikely or a region that has never detected BSE has significant regulatory measures to prevent it, but cannot be considered BSE-free.

"It's crucial that a minimal risk region has adequate risk mitigation measures such as import restrictions, ruminant-to-ruminant feeding bans, and surveillance. These measures must be in place prior to the detection of BSE.

"Also, the region must be equipped and ready to conduct epidemiological investigations and risk assessment if BSE cases are identified. These tools will help a minimal risk country impose any additional risk mitigation measures that may be necessary.

"Canada will be recognized in the final rule as the first of these minimal risk countries. USDA conducted a thorough science-based analysis to evaluate the risk of resuming trade with Canada in view of the two BSE cases of Canadian origin.

"This risk analysis included careful consideration of the risk mitigation measures Canada has in

place to detect and prevent BSE within Canadian cattle, including: import restrictions that are sufficient to minimize exposure to BSE have been in place since 1990; surveillance for BSE has been conducted at levels that meet or exceed international guidelines since 1992; a ruminant-to-ruminant feed ban has been in place since 1997 and effectively enforced; appropriate epidemiological investigations, risk assessment and risk mitigation measures are imposed as necessary.

"Live cattle imported from Canada under this rule will be subject to restrictions designed to ensure that they are slaughtered by the time they reach 30 months of age. These include permanent markings of the animals to indicate their origin, requiring them to move in sealed containers to a feedlot or to slaughter, and not allowing them to move to more than one feedlot while in the United States.

"USDA has developed the final rule through careful consideration of human and animal health. The risk assessment to confirm Canada as a minimal risk country was based on extensive studies by the Harvard Center for Risk Analysis and Tuskegee University. The assessment determined the risk of BSE being introduced and spread through cattle imported under the provisions of this rule as absolutely minimal and as further diminished by domestic safeguards.

"The assessment itself was also thoroughly evaluated by an international review team. USDA's Animal Plant Health Inspection Service and Food Safety Inspection Service have worked closely together throughout the rulemaking process and continue to work to finalize certification language for ruminant products and to prepare importer information.

"USDA has also coordinated the new regulations with the U.S. Department of Health and Human Services, Food and Drug Administration. In addition, APHIS will be working closely with the U.S. Department of Homeland Security's Customs and Border Protection to ensure that the changes made in the final rule are clear to those performing inspections at the border.

"Again, USDA is confident that the animal and public health measures Canada has in place to prevent BSE, combined with existing U.S. domestic safeguards and additional safeguards provided in the final rule, provide the utmost protections to U.S. consumers and livestock.

"With me today to help answer questions I have Dr. Peter Fernandez, APHIS's associate administrator; Dr. Daniel Engeljohn, FSIS deputy assistant administrator, Office of Policy Program and Employee Development; Dr. Steven Sundloff, FDA director for Center for Veterinary Medicine; and Keith Collins, USDA's chief economist.

"Operator, can we go ahead and open the floor for questions?"

OPERATOR: "Yes. At this time I will take questions from the phone lines. Please press *1 if you do wish to ask a question. When your name is announced, please state your affiliation."

MR. ROGERS: "Operator, before we get started-- this is Jim Rogers of APHIS Legislative and Public Affairs. I just want to take a moment to remind everyone that this is a media briefing, and therefore we intend to only take questions from members of the media. We can go ahead and start. We're ready for the first question, please."

OPERATOR: "Okay. Our first question comes from Sally Schuff. Again, please state your affiliation."

QUESTION: "Hi. Yes. Thank you for taking my question. This is Sally Schuff. I'm with Feedstuffs.

"The rule becomes effective in March. I understand there will be a congressional review. Can you explain what happens during the congressional review period, and what that possible outcome might be?"

DR. CLIFFORD: "Let me introduce Tom Walsh, who's with our Office of General Counsel, to answer this question."

MR. WALSH: "The congressional review period and the period of time between the publication and the effective date are not necessarily the same period of time. This rule will become effective on March 7th. The congressional review period is really measured in terms of legislative days and session days, and it's a fairly complicated formula that is in the statute on that. So it's quite likely the congressional review period will extend past that 60-day waiting period."

"Nonetheless, this rule would go into effect on March 7 unless Congress took action before that day."

MR. ROGERS: "Next question, please?"

OPERATOR: "Next question comes from Rosa Wang. And again, please state your affiliation."

QUESTION: "Hi. It's Rosa Wang with CBC News, at Canadian Broadcasting. Just so I'm clear, as you mentioned the rule goes into effect March 7th, so that means that it allows the imports of live cattle under 30 months of age from Canada. And that's my first question."

"Second question. Is there a mechanism in place by which this designation as a minimal risk region to Canada and other countries that can be revoked? And what sort of procedures do you have in place to monitor the situation to ensure that it can still be considered or classified as a minimal risk region?"

DR. CLIFFORD: "The answer to your first question with regard to animals that can come in, live animals, animals under 30 months of age for the purposes of feeding, could come in and those direct to slaughter under 30 months of age. And that would go into effect on March 7th."

"The answer to your second question, could you repeat that second question again for me, please?"

OPERATOR: "If you could please press *0 once again, Ms. Wang? One moment, please."

DR. CLIFFORD: "I think I've got the question. I'll go ahead and respond. Basically with regards to the question, if there was an additional case in Canada or elsewhere with regards to consideration for minimal risk regions or countries we would review that information at the time of occurrence and take any appropriate action."

"The action could be anywhere from continuation of the rule and no revoke. If we did revoke, we would come out with additional rulemaking to revoke that."

MR. ROGERS: "Next question, please?"

OPERATOR: "Next question comes from Daniel Goldstein. Again, please state your affiliation."

QUESTION: "Yeah, hi. It's Dan Goldstein with Bloomberg."

"Just two questions. Number one, a housekeeping item. This includes obviously feeder cattle, but does that also include breeding cattle?"

"And the other thing is that if Canada is considered a minimal risk country, where does that leave Japan since we are going to be accepting some beef from them under the proposed rule, agreement I should say with Japan and the U.S?"

DR. CLIFFORD: "This rule does not address anyone except for Canada. Canada is considered a minimal risk region under this rule. With regards to the issue of breeding cattle, this rule does not address breeding cattle, and breeding cattle would not be allowed to enter into the U.S. under this rule."

MR. ROGERS: "Next question, please?"

OPERATOR: "Next question comes from Jeff Wilson. And please state affiliation."

QUESTION: "Hi. This is Jeff Wilson with Bloomberg News. And my question to follow up on the breeding cattle, if you bring in a heifer that's under 30 months of age, that could become a breeding

animal, correct?

"And my second question is to follow up on the 30-month rule in terms of imports of live animals from Canada. How does that then correspond to our tentative agreement that we have with Japan about exporting beef that's only 20 months of age? And how do those two issues overlap each other or --"

DR. CLIFFORD: "I'm going to address the first part of the question, and I'm going to let Dr. Peter Fernandez address the second part.

"With regard to the heifer, obviously an intact heifer could become a breeding animal, and in certain circumstances. But under these conditions that would not be possible. There will be strict controls with regard to these animals. They will be moved under sealed conveyance to one feedlot, and they have to be identified both with identification of an ear ID back to the herd of origin in Canada, as well as a brand. The brand would be a C, an upside-down V and an N. It has to be placed on the hip of that animal for identification. And all of these animals will be required to be slaughtered prior to 30 months of age."

DR. PETER FERNANDEZ: "As regards the second question -- this is Dr. Peter Fernandez -- with regard to Japan, you need to realize first of all that we have been in discussions with Japan regarding the regulations that we're talking about now. The conditions that were agreed to with Japan were not based as we see them on the OIE code. The code does not talk about 20 months in any part of the code as it exists. This is an interim marketing measure, so these are conditions that Japan has asked in order for us to reestablish trade with them under conditions that they have established but not international guidelines."

"Thirty months of age follows the OIE guidelines, and that is why we've identified that age."

MR. ROGERS: "Operator, next question, please?"

OPERATOR: "Next question comes from Roger Bernard, and please state affiliation?"

QUESTION: "Yes. This is Roger Bernard with Pro Farmer."

"I realize the rule would take effect March 7 of 2005. When would we expect there to be the first shipments of cattle under the rule? Is it going to be possible that March 8 is going to bring that, or is there going to be a time after the rule becomes effective for all the detail work to be worked out?"

DR. CLIFFORD: "I think that would be dependent upon the purchasers and the sellers. It would be available to begin on March 7, and otherwise that's up to the markets out there."

MR. ROGERS: "Next question, please?"

OPERATOR: "Next question comes from Mike McGinnis. Again, please state affiliation."

QUESTION: "Mike McGinnis with DTN.. This question is directed to Keith Collins. What is the economic impact of the U.S. cattle industry in your opinion, Keith, once we officially open the border back up on March 7?"

DR. KEITH COLLINS: "Thanks for the question. First, let me state that there is a very detailed cost benefit analysis that goes through the effects of this rule under a variety of assumptions. And that is available on APHIS's website. And I think you'll find that very informative.

"There are really two avenues for which economic effects will take place on the U.S. cattle and beef industry. The first avenue is through imports of beef from Canada. We actually believe that there will be a slight decline in imports of beef from Canada. That's a result of the fact that there's a substantial incentive for Canadian meatpackers to shift in slaughter more cows; that is, animals 30 months or older which are not eligible for export live to the United States.

"As Canada begins to slaughter more cows, cows yield less beef than steers and heifers, so they'll have smaller exportable supplies. Therefore, we think there will be a slight decline in beef exports to the United States.

"The other primary avenue of an economic effect is through live cattle imports from Canada. We are estimating that in 2005 -- that is, the 12 months following the resumption of trade -- that we'll import an estimated 2 million head of cattle from Canada.

"Now 2 million compared with zero sounds like a lot, but you have to remember we're moving back toward normalcy in trade with this rule. And in the five years prior to 2003 our average imports from Canada were 1.25 million head a year.

"So we would think even under normal circumstances, had there been no disruption of trade with Canada in 2005 we might import about 950,000 head typically.

"And so we're saying that because of the disruption in trade and a build-up of inventories in Canada that we'll probably import something in the order of 2 million head in the 12 months following resumption of trade. And that would lead to a slight decline in cattle prices and in beef prices."

MR. ROGERS: "Next question, please?"

OPERATOR: "Next question comes from John Harrington. Again, please state affiliation."

QUESTION: "Yeah, thank you. John Harrington with DTN. I've got a question on logistics. Do I understand correctly that all Canadian field cattle will go directly into feedlots or will they be allowed to go to ranches for stocking practices?"

"And then my next question would be, you mentioned the brand and ear-tag. Who's responsible for the monitoring of that? And does that represent a bottleneck situation at the border?"

DR. CLIFFORD: "No, it does not represent a bottleneck situation at the border. There's about 20 ports of entry where they can cross where we would have veterinarians present to be able to check these loads. This is not atypical of what we've done previously for these type of cattle to cross or others.

"In addition the brand and the ear tag is the responsibility of the Canadian producers to apply, and then it's verified both by the veterinarian who issues the certificate in Canada as well as the Canadian government. Then it's reverified by our port veterinarians on the ports, and then it's in a sealed conveyance to that feedlot. And they're only allowed to go to a feedlot, and one feedlot only. They're not allowed to be moved around from feedlot to feedlot. And they have to go directly from that feedlot when they're ready for slaughter direct to a slaughtering establishment, federally inspected slaughter establishment.

MR. ROGERS: "Next question, please?"

OPERATOR: "Next question comes from Mark Hoffman.. Again, please state affiliation."

QUESTION: "With the Washington Post. Is there a mechanism in this rule that would allow other nations to apply for this minimal risk category status? Or is this specific for Canada?"

DR. CLIFFORD: "This particular rule is specific for Canada. However, the rule itself establishes a minimal risk category in which any country can apply to USDA for consideration for it to be considered and categorized as a minimal risk country."

MR. ROGERS: "Next question, please?"

OPERATOR: "Comes from Peter Shin. Again, please state affiliation."

QUESTION: "Yes. This is Peter Shin with the National Association of Farm Broadcasters.

"What relationship, if any, is there to this rule and the ongoing legal situation in Billings, Montana?"

MR. WALSH: "This is Tom Walsh. There's no necessary relationship at all. That lawsuit you will recall resulted in an agreed-upon entry of a preliminary injunction. And that injunction will expire five days after the rule is published in the Federal Register, and that will happen automatically under the terms of that injunction.

"That will, in effect, render that lawsuit moot. The cause could be renewed, but that lawsuit I think would be effectively over because of the issuance of a brand new rule. So we have a whole new set of facts here."

MR. ROGERS: "Next question, please?"

OPERATOR: "Next question comes from Gary Diguseppe and please state your affiliation?"

QUESTION: "Gary Diguseppe, Arkansas Radio Network."

"And I would ask although the issue has already been talked about concerning Canadian live cattle shipments to the U.S. in the past, over whether there's a concern about a surge."

"Are there any safeguards in this rule or any administrative safeguards planned that would prevent a large glut of Canadian cattle from entering the U.S. immediately after the border opens?"

DR. COLLINS: "There are no particular safeguards. I would say however that we have estimated the potential imports of Canadian live cattle based on the inventory buildup in Canada over the last couple of years. And as I indicated before, our expected level of imports of live cattle during 12 months after the rule goes into effect is 2 million head."

"We imported 1.7 million head from Canada in 2000, so that's very close to the peak imports that we've had in the past."

"I might also say that our cattle slaughtering is down substantially because our cattle cycle has been reducing the inventory every year since 1996 in the United States. As a result of that, in 2004 we're going to slaughter for the whole year about 32.5 million head. And that compares with 35 to 36 million head in the years just prior to 2004."

"So we have excess slaughter capacity in the United States and a number of animals available in Canada to come across the border can be accommodated, given our historical trade pattern and given our excess slaughter capacity."

"In addition to that, when you talk about a glut or a backlog of cattle coming across the border, part of the incentive to bring cattle across the border will of course be the relative prices in Canada and the United States. As the cattle come across the border, those relative prices will begin to equilibrate. So the market itself will cause a dissipation of those forces to import cattle from Canada and resolve that issue of the glut over time."

MR. ROGERS: "Next question, please?"

OPERATOR: "Next question comes from Daniel Goldstein. Please state affiliation."

QUESTION: "Yeah. This is Dan Goldstein of Bloomberg again. I guess my question to you is also following on Mark Hoffman's question. What other countries are likely, if any, to petition for getting live cattle into the U.S? I know we've had a ban from France and other countries and especially Britain because of their history with BSE. What other countries would likely want to be able to import into the U.S.?"

DR. CLIFFORD: "Yeah. I would not want to speculate on that. I'd just want to reiterate though, if any country applies for status as a minimal risk region into the U.S. it would require an extensive evaluation of the risk with regard to that country such as has been done for Canada to ensure continued protection of both animal and public health."

MR. ROGERS: "We have time for two more questions. Next question, please?"

OPERATOR: "Next question comes from Steve Kay and please state affiliation."

QUESTION: "Steve Kay of Cattle Buyers Weekly. Gentlemen."

"Firstly, I assume there's no mention in the rule of additional beef products -- if you could clarify

that for me. And secondly, does the rule in any way address the question of when cattle over 30 months of age might be allowed into the United States? And if it doesn't address that at all, can you give me an indication as to whether USDA will be publishing another rule in a certain period of time?"

DR. CLIFFORD: "As far as the rule does address other things besides live cattle. It addresses other types of products that would be allowed to come in from animal products as well as byproducts that can come in from Canada. The rule is very specific about that."

"It also removes certain requirements or removes requirements for live imports of camelids and cervids. So those animals could come in without BSE restrictions. And as far as the issue of the cattle over 30 months of age and the publication of that rule, that would be addressed under a future rulemaking process. And we do not have a timeframe specific for that."

MR. ROGERS: "Operator, we'll take the final question."

OPERATOR: "Last question comes from Rosa Wang. Your line is open, ma'am."

QUESTION: "I'm just curious. What discussions if any did you have with your Canadian counterparts immediately prior to announcing this new rule?"

DR. CLIFFORD: "We did not contact the Canadian counterparts right prior to the announcement."

MR. ROGERS: "And that is the final question for today."

"For those of you not familiar with Tom Walsh, he is our assistant general counsel for the Office of General Counsel's Regulatory Division here at USDA."

"I'd like to also let everyone know that these documents, the final rule as well as the press release, supporting documents, the fact sheet as well as the question and answer sheet, will be on our website. That website address is WWW.APHIS.USDA.GOV."

"And of course if you have follow-up questions, please feel free to contact us at APHIS. The number is 202-720-2511."

"I'd like to thank everyone again for joining us today, and have a happy New Year."